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UNITED STATES DEPARTMENT OF AGRICULTURE
War Food Administration

(Material for presentation to the Special Committee of the House Committee on Agriculture on Post-War Farm Programs - Hearings beginning December 4, 1944.)

A SUMMARY OF THE MORE IMPORTANT FEDERAL STATUTORY PROVISIONS APPLICABLE TO COTTON

Prepared under the direction of the Solicitor of the United States Department of Agriculture and of the War Food Administration

I. Price Support Obligations of the Government.

1. Section 8 of the Stabilization Act of 1942, as amended,^{1/} directs the Commodity Credit Corporation to make non-recourse producer loans on cotton at the rate of 92½ percent of parity, except as to cotton harvested after 1943 but planted before 1945 for which the loan rate is 95 percent of parity. Loans under Section 8 must be continued for at least two years after the war. When acreage allotments and farm marketing quotas are in effect under the Agricultural Adjustment Act of 1938, as amended,^{2/} loans at the full rate are available only to cooperating farmers, and noncooperators are entitled to loans only on that part of their production in excess of their quotas and at only 60 percent of the full loan rate. Such loans are not available if marketing quotas for cotton for the marketing year in which the crop is harvested have been disapproved by more than one-third of the cotton farmers voting in the producer referendum.

Other provisions of law applicable to loans under the Agricultural Adjustment Act of 1938, as amended, are, to the extent compatible, applicable to loans under Section 8 of the Stabilization Act, as amended. ^{3/}

2. The so-called Steagall Amendment, as amended,^{4/} directs the War Food Administrator,^{5/} whenever he finds it necessary to encourage the expansion of production of any non-basic commodity during the

^{1/} 50 U.S.C. App. §968 (Supp. III), Pub. L. No. 383, 78th Cong., 2d Sess. (June 30, 1944) §204, Pub. L. No. 457, 78th Cong., 2d Sess. (October 3, 1944) §37.

^{2/} 7 U.S.C. §1281 et seq. (1940).

^{3/} 7 U.S.C. §1302 (1940), contains most of the applicable provisions. Under these provisions, for the purpose of computing cotton parity, 7/8-inch Middling cotton is regarded as the average.

^{4/} Section 4(a) of the Act of July 1, 1941, as amended, 15 U.S.C. §713a-8(a) (Supp. III).

^{5/} See Executive Order No. 9334 of April 19, 1943, 8 Fed. Reg. 5423 (1943) transferring powers of the Secretary of Agriculture to the War Food Administrator.

existing emergency, to make public announcement thereof, and thereupon to use any available funds (taking into account the funds available for all such commodities) to support the price of such commodity at not less than 90 percent of its parity or comparable price through commodity loans, purchases, or other operations, and to continue such supports for two years after the war. 6/

3. The Act of July 1, 1941^{7/} also declares it to be Congressional policy that the lending and purchase operations of the Department of Agriculture shall be carried out so as to bring the price and income of producers of non-basic non-Steagall commodities to a fair parity relationship to basic and Steagall commodities, to the extent that funds for such operations are available, after taking into account the operations as to basic and Steagall commodities and the ability of producers to bring supplies into line with demand. 8/
4. During the fiscal year 1945 the President is also required to take all other lawful action through any agency of the Government to assure that producers of basic and Steagall commodities receive not less than the higher of (1) the parity or comparable price, or (2) the highest price received by producers between January 1 and September 15, 1942, as adjusted for grade, location, and seasonal differentials. 9/

II. Handling and Disposal of Cotton by the Government.

1. The Commodity Credit Corporation item in the Department of Agriculture Appropriation Act, 1945,^{10/} which makes funds of the Corporation available for its administrative expenses, prohibits (with certain exceptions) the use of any such funds for administrative

6/ Such an announcement has been issued with respect to American-Egyptian cotton.

7/ Section 4(b) of the Act, cited supra note 4.

8/ Consistent with this declaration of policy, price supporting loans are being made upon Sea Island cotton and the price of cottonseed is being supported.

9/ Section 201(b) of the Stabilization Extension Act of 1944, Pub. L. No. 383, 78th Cong., 2d Sess. (June 30, 1944). In accordance with this provision, Commodity Credit Corporation is carrying out a 100 percent of parity purchase program with respect to the 1944 crop of cotton. As American-Egyptian cotton is now selling at substantially above its parity price, no action is necessary at present with respect to it.

10/ Pub. L. No. 367, 73th Cong., 2d Sess. (June 28, 1944). No other funds may be used by Commodity Credit Corporation for administrative expenses. Act of June 22, 1936, 15 U.S.C. §712a (1940).

expenses in connection with the sale of cotton at less than parity,^{11/} unless such cotton has substantially deteriorated in quality or is being sold for new or by-product uses. Another exception, made by the recently enacted Surplus Property Act of 1944,^{12/} authorizes the Commodity Credit Corporation to dispose of or cause to be disposed of for export any farm commodity or product thereof for cash, its equivalent in goods, or adequately secured credit, and at competitive world prices, without regard to any of the statutory provisions imposing restrictions on its sales of such commodities, provided, in the case of food or food products, domestic supplies are adequate.

2. Section 381(c) of the Agricultural Adjustment Act of 1938 provides that no cotton held on behalf of the United States shall be sold unless the proceeds are at least sufficient to reimburse the United States for all amounts paid out with respect to the cotton sold. This section also limits sales of cotton by the Corporation to not more than 300,000 bales in any calendar month and 1,500,000 bales in any calendar year. ^{13/}
3. Section 32 of the Act of August 24, 1935,^{14/} annually appropriates an amount equal to 30 percent of the gross customs receipts for use by the Secretary of Agriculture to (1) encourage exportation of agricultural commodities and products by the payment of benefits in connection with such exportation or indemnities for losses incurred in connection with such exportation or by payments to

^{11/} The method that has been used under the Corporation's loan programs for determining the parity price equivalent for Middling 7/8-inch cotton at the average location used in fixing the base loan rate for cotton must be used for determining the parity price equivalent for Middling 7/8-inch cotton at such average location for the purposes of this provision. In this connection see note 3, supra.

^{12/} Pub. L. No. 457, 78th Cong., 2d Sess. (October 3, 1944). Commodity Credit Corporation is now conducting a cotton export program under this section. In this connection, see the Act of August 11, 1939, 15 U.S.C. §713a-7 (1940), which authorizes Commodity Credit Corporation to exchange surplus domestic agricultural commodities for stocks of foreign strategic and critical materials, in fulfillment of any treaty involving an exchange of such materials which might be concluded by the United States. Pursuant to that act, cotton has been exchanged for rubber.

^{13/} 7 U.S.C. §1381(c) (1940). See also section 383 of the Agricultural Adjustment Act of 1938 and the Act of June 16, 1938, 7 U.S.C. §§1383, 1383(a) (1940), which generally require that Commodity Credit Corporation shall place all cotton insurance with insurance agents who are bona fide residents of and doing business in the State where the cotton is warehoused, and that Commodity Credit Corporation shall not reconcentrate or move cotton securing its loans from one warehouse to another without the written consent of the borrower.

^{14/} 7 U.S.C. §612c (1940).

producers in connection with the production of the quantity of such commodities required for domestic consumption, (2) encourage domestic consumption of such commodities or products by diverting them from the normal channels of trade and commerce or by increasing their utilization among persons in low income groups, and (3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption. During any fiscal year, not more than 25 percent of the funds available under this section for such fiscal year may be devoted to any one commodity or the products thereof. 15/

4. Section 21 of the Surplus Property Act of 1944^{16/} makes the War Food Administrator solely responsible, subject to the supervision of the Surplus Property Board, for the formulation of policies for the disposal under that Act of surplus agricultural commodities and surplus foods processed from agricultural commodities. These policies are to be administered by the agencies designated by the Board, and are to be so formulated as to prevent such commodities and products from being dumped upon the market in a disorderly manner and disrupting market prices for agricultural commodities. The Board is prohibited from exercising any of its powers under the Act with respect to the disposal of surplus cotton goods except with the War Food Administrator's written approval.

This section also makes the quantity and price limitations applicable to sales by Commodity Credit Corporation applicable to sales of surplus farm commodities in the United States under the Act and prohibits any such sales at less than the current prevailing market prices.

III. Maximum Prices for Cotton.

Under the Emergency Price Control Act of 1942,^{17/} the Stabilization Act of 1942,^{18/} and the Stabilization Extension Act of 1944,^{19/} maximum prices may be established and maintained for cotton and cotton products, as well as other commodities, on the basis of price levels, so far as practicable, which existed on September 15, 1942. Such prices are subject to specified adjustments, however, and

15/ Programs have been carried out under this section with respect to cotton and cotton goods.

16/ Cited supra note 12.

17/ 50 U.S.C. App. §§901 et seq. (Supp. III).

18/ 50 U.S.C. App. §§961 et seq. (Supp. III).

19/ Pub. L. No. 383, 73rd Cong., 2d Sess. (June 30, 1944).

may not be so low as to reflect to cotton producers less than the parity^{20/} or the highest price between January 1 and September 15, 1942 (applied separately, in the case of products made in whole or major part from cotton or cotton yarn, to each major item). ^{21/}

IV. Agricultural Soil Conservation.

Sections 7 to 17 of the Soil Conservation and Domestic Allotment Act, as amended,^{22/} authorize the Secretary of Agriculture to make conditional payments or grants of other aid to agricultural producers, including cotton producers, in order to effectuate soil conservation and to reestablish, at as rapid a rate as the Secretary determines to be practicable and in the public interest, the ratio between the purchasing power of the net income per person on the farms and that of the income per person not on farms that prevailed during the five-year period between August 1909 and July 1914, inclusive. Payments or grants are authorized for two general types of performance: namely, the carrying out of soil-building practices, and adherence to acreage allotments established for soil-depleting crops such as cotton. However, limitations contained in the Department of Agriculture Appropriation Acts for 1944 and 1945^{23/} now restrict the program generally to one of soil-building and soil and water conservation practices.

V. Farm Marketing Quotas.

Under the Agricultural Adjustment Act of 1938, as amended, whenever the Secretary determines that the total supply^{24/} of cotton for any marketing year exceeds by more than seven percent the

^{20/} This section also provides that the method used at that time for the purposes of making loans for determining the parity price equivalent for Middling 7/8-inch cotton at the average location used in fixing the base loan rate for cotton must also be used for determining the parity price equivalent for Middling 7/8-inch cotton at such average location for the purposes of this section, and that any adjustments for grade, location, or seasonal differentials shall be made on the basis of the parity price so determined. In this connection, see note 3, supra.

^{21/} Section 201(b) of the Stabilization Extension Act of 1944, cited supra note 19.

^{22/} 16 U.S.C. §§590g et seq. (1940), §590h (Supp. III).

^{23/} Pub. L. No. 129, 78th Cong., 1st Sess. (July 12, 1943), and Pub. L. No. 367, 78th Cong., 2d Sess. (June 28, 1944).

^{24/} The "total supply" of cotton for any marketing year is the carry-over for such year, plus the estimated United States production during the calendar year in which such marketing year begins. 7 U.S.C. §1301(b)(16)(A) (1940).

normal supply^{25/} for such year, the Secretary is required to proclaim such fact not later than November 15 and farm marketing quotas for cotton are in effect during the succeeding marketing year,^{26/} provided they are approved by at least two-thirds of the cotton farmers voting in a referendum. ^{27/}

The farm marketing quota is the number of bales of cotton equal to the normal production or actual production, whichever is the greater, of the farm acreage allotment, plus any penalty free cotton carryover from a previous crop.^{28/} The farm acreage allotment is computed by apportioning the national allotment, as established by the Secretary of Agriculture, among the State, the State allotment among counties, and the county allotment among farms, all on the basis of production history, with certain adjustments.^{29/} Any producer marketing cotton in excess of his farm marketing quota is subject to a penalty equal to 50 percent of the basic rate of the loan to cooperators.^{30/} Marketing quotas for cotton are not now in effect, in view of the national emergency situation. ^{31/}

VI. Parity Payments.

Section 303 of the Agricultural Adjustment Act of 1938^{32/} directs the Secretary of Agriculture to make parity payments on the normal production of cotton and other basic commodities, if and when appropriations are made therefor, in amounts which, together with the proceeds from the commodity, will provide a return to producers as nearly equal to parity price as the funds made available will permit. Such appropriations have not been made for any crop since the 1942 crop.

VII. Import Restrictions.

Section 22 of the Agricultural Adjustment Act (of 1933)^{33/} provides for the imposition by the President of import quotas and fees, within certain limits, on any article, including cotton and cotton

^{25/} The "normal supply" of cotton for any marketing year is a normal year's domestic consumption and exports, plus 40 percent thereof. 7 U.S.C. §1301(b)(10)(A) (1940).

^{26/} 7 U.S.C. §1345 (1940).

^{27/} 7 U.S.C. §1347 (1940).

^{28/} 7 U.S.C. §1346(a) (1940).

^{29/} 7 U.S.C. §§1343 et seq. (1940), §1344(j) (Supp. III).

^{30/} 7 U.S.C. §1343 (1940), §1340(9) (Supp. III).

^{31/} 7 U.S.C. §§1304 (1940), §1371(b) (Supp. III).

^{32/} 7 U.S.C. §1303 (1940).

^{33/} 7 U.S.C. §624 (1940).

products, the importation of which threatens the objectives of certain farm programs under the Agricultural Marketing Agreement Act of 1937³⁴/ or the Soil Conservation and Domestic Allotment Act, as amended,³⁵/ or Section 32 of the Act of August 24, 1935, as amended,³⁶/ after investigation by the United States Tariff Commission.

VIII. Crop Insurance.

Although the Federal Crop Insurance Act, as amended,³⁷/ authorizes the Federal Crop Insurance Corporation to insure cotton producers against flood, drought, hail, and other unavoidable causes upon terms and conditions specified in the act and by the Board of Directors of the Corporation, the Corporation, by reason of a limitation contained in the Department of Agriculture Appropriation Acts for 1944 and 1945,³⁸/ has not insured any cotton since the 1943 crop. H.R. 4911, which is currently pending before the Congress, would provide a basis for reinstating a cotton crop insurance program, though under terms and conditions different, in some respects, from those provided for in the present Federal Crop Insurance Act.

IX. Private Trading in Cotton.

1. The "United States Cotton Futures Act", as amended,³⁹/ is designed to encourage the use of Federal standards in futures trading in cotton, and the tender, in settlement of certain futures contracts, of cotton which has first been classed by officers of the Government on the basis of the standards established by the Department of Agriculture; and requires the supervision of spot cotton quotations in designated markets.
2. The Commodity Exchange Act, as amended,⁴⁰/ requires, with respect to cotton, that all trading in cotton futures be conducted on contract markets designated by the Secretary of Agriculture, and that contracts on such markets provide for the delivery of cotton by U. S. grades. It authorizes the Commodity Exchange Commission to establish limits on speculative trading to prevent unwarranted fluctuations in price, makes illegal specified fraudulent and deceitful practices with respect to cotton futures, and requires that commission merchants segregate the funds of customers.

³⁴/ 7 U.S.C. §§601 et seq., §§671 et seq. (1940).

³⁵/ Cited supra note 22.

³⁶/ Cited supra note 14.

³⁷/ 7 U.S.C. §§1501 et seq. (1940), §§1502 et seq. (Supp. III).

³⁸/ Cited supra note 23.

³⁹/ 26 U.S.C. §1920 et seq. (1940).

⁴⁰/ 7 U.S.C. §1 et seq. (1940).

X. Classification, Standards, Statistics, Testing and Information.

1. The United States Cotton Standards Act,^{41/} regulates transactions in American cotton in interstate and foreign commerce; requires the use of the official cotton standards and linter's standards in all transactions in such commerce wherein any standard descriptions are used; provides for the sale of copies of standards to the public; and provides for classification of cotton and cotton linters, and for the licensing of classers.
2. The "Cotton Grade Staple Statistics Act", as amended,^{42/} authorizes the collection and publication of statistics and estimates of the grade and staple length of cotton; and provides for classification and market news services to producer groups organized for cotton improvement. This act also provides for the classification of cotton on request of producers, the collection and publication of information as to market supply, demand, condition, and prices of cotton; and authorizes the Secretary of Agriculture to make analyses of fiber properties, spinning tests, and other quality tests of cotton samples submitted to him by cotton breeders.
3. The Farm Products Inspection Provision, Department of Agriculture Appropriation Act, 1945,^{43/} provides for the investigation of and certification to shippers and other interested parties of the class, quality, and condition of cotton and other agricultural products.
4. The Act of June 15, 1929,^{44/} prohibits the inclusion in any governmental report, bulletin, or other such publication of any prediction "with respect to cotton prices upon penalty of fine from \$500 to \$5,000 or 5 years imprisonment or both. However, this act does not apply to the Governor of the Farm Credit Administration when engaged in the performance of his duties.

41/ 7 U.S.C. 51 et seq. (1940).

42/ 7 U.S.C. §471 et seq. (1940).

43/ Cited supra note 10.

44/ 12 U.S.C. §1141j(d) (1940). See also Agricultural Appropriation Act, 1945, cited supra note 10, item entitled "Office of the Secretary, Salaries and Expenses", providing that no part of the funds appropriated by it shall be used for the payment of any officer or employee of the Department who issues any prediction, except as to damage threatened or caused by insects and pests, "with respect to future prices of cotton."

XI. Research and Experimental Work.

1. The "Hatch Act" of March 2, 1887,^{45/} the "Adams Act" of March 16, 1906,^{46/} and the "Purnell Act" of February 24, 1925,^{47/} and acts supplementary thereto,^{48/} provide for grants to States for experimental work in agriculture. This, of course, includes experimental work relating to cotton.
2. The Act of April 12, 1928,^{49/} authorizes technical and scientific research in American-grown cotton and its by-products and their present and potential uses, including new and additional commercial and scientific uses for cotton and its by-products.
3. The Act of April 19, 1930,^{50/} authorizes the Secretary of Agriculture to investigate the ginning of cotton.
4. Title I of the "Bankhead-Jones Research Act of June 29, 1935,"^{51/} provides for research into laws and principles underlying basic problems for agriculture in its broadest aspects, new and improved methods of distribution, and new and extended uses for agricultural commodities including cotton and by-products by the Secretary of Agriculture and the State Experiment Stations.
5. Section 202 of the Agricultural Adjustment Act of 1938,^{52/} provides for the establishment of four regional research laboratories for research into new uses of farm commodities, including cotton, and products and by-products thereof, particularly those in which there are surpluses.

XII. Control of Pests.

1. The "Insect Pest Act,"^{53/} prohibits the transportation, removal, or mailing interstate, or from a foreign country into the United States, in a live state, of the boll weevil or any other insect which is notoriously injurious to cultivated crops, or the eggs, pupae, or larvae of such insects.

^{45/} 7 U.S.C. §§362,363,365,368-368c, 372, 377-379 (1940).

^{46/} 7 U.S.C. §369 (1940).

^{47/} 7 U.S.C. §§361, 366, 370, 371, 373-376, 380, 382 (1940).

^{48/} 7 U.S.C. §§386-386f (1940).

^{49/} 7 U.S.C. §423 (1940).

^{50/} 7 U.S.C. §424 (1940).

^{51/} 7 U.S.C. §§427-427g (1940).

^{52/} 7 U.S.C. §1292 (1940).

^{53/} 7 U.S.C. §141 (1940).

2. The "Plant Quarantine Act",^{54/} regulates the importation of plants, fruits, vegetables, roots, bulbs, seeds, and other plant products (which, of course, includes cotton), if the Secretary of Agriculture determines that such importation may result in the introduction of injurious insect pests, and directs the Secretary of Agriculture to quarantine any State, territory, or the District of Columbia, or any portion thereof, when he determines that would be necessary in order to prevent the spread of insect infestation.
3. "The Terminal Inspection Act",^{55/} permits the inspection, by State officials at destination, of plants and plant products transported by mail which, in the opinion of such officials, may result in the introduction into the State of plant pests; and prohibits mailing of any package containing plants or plant products to any State having such inspection, without marking the package so that its contents may be readily ascertained.
4. "The Mexican Pink Bollworm Act",^{56/} authorizes the Secretary of Agriculture to make surveys to ascertain the actual distribution of the pink bollworm in Mexico, to establish, in cooperation with the States concerned, zones free from cotton culture on or near the border of any State or States adjacent to Mexico, and to cooperate with Mexico in exterminating local infestation near the border of the United States.
5. "The Mexican Border Act",^{57/} authorizes the Secretary of Agriculture to adopt regulations governing the entry from Mexico into the United States of railway cars and other vehicles, freight, express, baggage, and other materials which may carry insect pests and plant diseases, and to provide for the inspection, cleaning and disinfection of such vehicles and materials.
6. The Department of Agriculture Organic Act of 1944,^{58/} authorizes the Secretary of Agriculture, independently or in cooperation with States, associations, and individuals, to carry out measures to eradicate and control the pink bollworm, among other things; to cooperate with Mexico in carrying out surveys and control operations in Mexico in the eradication of pink bollworm; and to promulgate regulations providing for inspection of domestic plants and plant products offered for export and to certify to their freedom from insect pests and plant diseases.

^{54/} 7 U.S.C. §151 (1940).

^{55/} 7 U.S.C. §166 (1940).

^{56/} 7 U.S.C. §145 (1940).

^{57/} 7 U.S.C. §149 (Supp. III).

^{58/} Pub. L. No. 425, 78th Cong., 2d Sess. (Sept. 21, 1944) Section 102.